

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-12 ISO-00 NEA-10 AID-05 CIAE-00 COME-00
EB-08 FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-02 PA-02 IO-14 /134 W
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R 030706Z APR 78
FM AMEMBASSY MANILA
TO AMEMBASSY KABUL
INFO SECSTATE WASHDC 3761

UNCLAS MANILA 5162

USADB

DEPARTMENT PASS TREASURY FOR SHERK

E.O. 11652: N/A
TAGS: EAID, EFIN, AF
SUBJECT: ADB FINANCED KAJAKAI GATES PROJECT

1. ASSOCIATE PROJECT DIRECTOR, HARZA ENGINEERING CO., WROTE
A LETTER FEBRUARY 27 REQUESTING U.S. EXECUTIVE DIRECTOR'S
INTERVENTION WITH ADB REGARDING APPARENT GOA'S INABILITY TO
ASSIGN ENGINEERS TO PROJECT AS PROVIDED FOR IN THE LOAN
AGREEMENT. WE CONTACTED ADB PROJECT MANAGER AND SENT RESPONSE
TO HARZA WHICH, INTER ALIA, INCLUDES FOLLOWING: QUOTE:

AS A MATTER OF PRINCIPLE, THE BANK BELIEVES IT IMPORTANT
TO MAINTAIN ITS POSITION THAT THE GOVERNMENT SHOULD BE
RESPONSIBLE FOR THE PROVISION OF LOCAL CONSULTANTS TO THE
PROJECT. THE BANK'S RECOMMENDATION MAINTAINS THIS
POSITION, BUT PROVIDES AN ALTERNATIVE MEANS FOR MEETING
THE GOVERNMENT'S PROHIBITION IN PROVIDING INCENTIVES TO ITS
EMPLOYEES.

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THE BANK REPORTS THAT SEVERAL REVIEW MISSIONS HAVE
ALREADY REMINDED THE GOVERNMENT OF AFGHANISTAN OF ITS
LOAN OBLIGATIONS TO ASSIST IN THE RECRUITMENT OF SUITABLE
STAFF NECESSARY TO MEET THE ESTABLISHED CONSTRUCTION
SCHEDULE, INCLUDING THE PROVISION OF INCENTIVES FOR
AFGHAN PROJECT PERSONNEL IN THE FORM OF LIVING QUARTERS
AND SALARY SUPPLMENTS. HOWEVER, IT NOW APPEARS THAT THE

AFGHANISTAN GOVERNMENT IS ARGUING THAT ITS REGULATIONS DO NOT PERMIT THE GRANTING OF INCENTIVES TO A SELECTED GROUP OF EMPLOYEES WITHIN ITS CIVIL SERVICE.

THE BANK POINTS OUT THAT THE RESPONSIBILITY ON THIS MATTER RESTS WITH THE GOVERNMENT OF AFGHANISTAN. HOWEVER, AS A PRACTICAL SOLUTION TO THE PROBLEMS YOU RAISED, THE BANK SUGGESTS THE FOLLOWING: THAT HARZA SHOULD REQUEST THE GOVERNMENT FOR AN AMENDMENT TO ITS CONSULTANCY CONTRACT. THE AMENDMENT SHOULD PERMIT HARZA TO NEGOTIATE A SUB-CONTRACT WITH THE WATER AND POWER ENGINEERING CONSULTANTS OF AFGHANISTAN (WAPECA), A SUBSIDIARY OF THE MINISTRY OF WATER AND POWER FOR THE LOCAL TECHNICAL SERVICES INCORPORATED IN THEIR CONTRACT. AS A SUB-CONTRACTOR WAPECA EMPLOYEES WOULD NOT BE SUBJECT TO NORMAL GOA CIVIL SERVANT RESTRICTIONS. THIS WOULD, THEREFORE, ALLOW THE MINISTRY TO PAY IN LOCAL CURRENCY SUCH ALLOWANCES AS MAY BE PAYABLE TO APPROPRIATE STAFF WHO ARE SECONDED TO HARZA UNDER THE WAPECA SUB-CONTRACT.

AS THE BANK'S LOAN TO THE GOVERNMENT COVERS ONLY FOREIGN EXCHANGE COSTS, THIS RECOMMENDATION WOULD IN NO WAY IMPLY INCREASED PAYMENTS BY THE BANK FOR THE PROJECT. UNQUOTE.

2. IT APPEARS THAT HARZA HAS NOT RECEIVED MY LETTER AS UNCLASSIFIED

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YET BECAUSE I JUST RECEIVED A CABLE FROM HARZA WHICH AGAIN REITERATES PROBLEM AND INCLUDES REQUEST BY HARZA THAT BANK PROVIDE FUNDING ASSURANCES BEFORE HARZA ASSUMES RESPONSIBILITIES RELATIVE TO CONSTRUCTION OF THE PROJECT. FROM THIS RECENT CABLE WE ARE INFERRING THAT HARZA WOULD PREFER TO TAKE ON RESPONSIBILITY FOR RETAINING ADDITIONAL ENGINEERS IF ADB CAN PROVIDE ASSURANCES FOR THEIR PAYMENT. BANK'S ORIGINAL RECOMMENDATION, SEE PARA 1 ABOVE, WOULD PLACE RESPONSIBILITY FOR ADDITIONAL FINANCING SQUARELY ON SHOULDERS OF GOA.

3. WE LARNED THAT ADB PROJECT MANAGER ALSO RECEIVED COPY OF RECENT HARZA CABLE AND HE IS PREPARING TO NOTIFY GOA THAT BANK PLANS TO HOLD UP APPROVING CONSTRUCTION CONTRACTOR WHICH IT WAS SCHEDULED TO APPROVE THIS WEEK. BANK WANTS THIS MATTER SETTLED BEFORE IT COMMITS CONTRACTOR TO MAJOR UNDERTAKING WHICH DEPENDS ON GOA'S ABILITY TO COMMIT AFGHANI ENGINEERS TO PROJECT FOR ITS SUCCESSFUL COMPLETION.

4. WE ARE PROVIDING THIS INFORMATION FROM VANTAGE POINT OF USADB MANILA AND REQUEST THAT YOU SHARE

INFORMATION WITH HARZA ENGINEERING CO. ASSOCIATE
PROJECT MANAGER WELKER, CHICAGO TEL (312) 855-7000
AND FOR AFGHANISTAN PLEASE SHARE WITH LOCAL HARZA REP.
EDMOND

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